

CAZON
EU 43
1995
Mo9
C.Z June 7, 1996

BACKGROUNDER: ACCESS TO THE ELECTRICITY MARKET

Report Highlights

- Introduce wholesale competition -- generators would compete to sell electricity to distribution utilities and other large customers that demand 5 MW of power or more at one site.
- Phase in full retail competition -- generators would compete to sell electricity to all users -- as soon as practicable possible.

Existing System

The municipalities estimate their electricity needs, and deal directly with Ontario Hydro, which supplies the power and sets the prices. Ontario Hydro makes sure it can supply enough electricity to meet the needs of all users in the province.

The municipal electric utilities and Ontario Hydro Retail own and operate the distribution wires, so they must serve the customers in their franchise area.

Proposed Changes

Eventually, all customers would be able to choose the service that best meets their needs. For example, they would pay less if they shifted their energy use from costly peak periods. The Advisory Committee recommends starting with wholesale competition and phasing in retail competition as soon as possible.

Wholesale competition means that distribution utilities and large users (those that require more than 5 MW of electricity at one site) would be able to buy their power directly. Some large users may arrange their purchases through an agent, broker or marketer, or continue to use a distributor.

Once Ontario has a competitive wholesale market, it would expand access to all customers, including residential users. This would allow time to develop the technology needed for retail access -- such as meters that can measure when and how electricity is being used.

Retail access would encourage competing suppliers to improve their efficiency, product diversity and innovation. They would need to provide reliability and service quality to attract and maintain customers. Competitive pressure, combined with market supervision by a regulator, would protect customers.

With wholesale competition, the price for electricity would be set in the marketplace -- not in the boardroom of Ontario Hydro -- according to supply and demand.



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